Cost escalation of infrastructure projects

*418. SHRI C. RAMACHANDRAIAH: Will the PRIME MINISTER be pleased to state :

(a) whether slippage in implementation of major infrastructure projects like roads, railways and power has resulted in cost escalation of projects;

(b) if so, the percentage of escalation in cost as originally envisaged;

(c) whether these projects have also been delayed; and

(d) the steps taken or proposed to be taken to check the escalation of cost and expedite the completion of projects?

THE MINISTER OF STATE IN THE MINISTRY OF STATISTICS AND PROGRAMME IMPLEMENTATION (SHRI SATYABRATA MOOKHERJEE): (a) to (d) A Statement is laid on the Table of the House.

Statement

(a) and (b) Yes, Sir. The percentage of cost escalation with respect to the original approved cost in respect of major projects costing Rs. 100 crore and above in roads, railways and power sectors are 3,54.5 and 35 respectively.

(c) and (d) Yes, Sir. The steps taken to check the escalation of cost and complete the projects within schedule are as follows:

(i) Adoption of two-stage clearance system and stricter appraisal of project reports before investment approval;

(ii) Taking up of projects for implementation only after funds have been fully tied up;

(iii) In-depth review of projects on monthly as well as quarterly basis by the Government;

(iv) Follow up with the State Governments in respect of problems relating to acquisition of land, rehabilitation related issues, forest clearances, provision of infrastructure facilities and ensuring law and order at project sites, etc.

(v) Setting up of an Empowered Committee in the administrative Ministries for review of departmentally executed projects;

(vi) Inter-ministerial coordination for resolving unresolved problems;

(vii) Setting up of Standing Committees in the Ministries/Departments to fix responsibility for time and cost overruns;

(viii) Appointment of nodal officers for each project with continuity of tenure; and

(ix) Issue of guidelines on standard bidding documents for adoption.

SHRI C. RAMACHANDRAIAH: Sir, a very big problem which we face in our country is the delay in execution of projects which eventually leads to cost overrun of these projects. The Government has accepted that as for roads, railways and power sectors, the percentages of cost escalation are 3,54.4 and 35 respectively. Sir, I want to draw the attention of the Government as to how private-public partnership, which is a new concept that has been envisaged by our Government, — this is being used as a strategy to set up infrastructural development by both the State Governments and the Central Government — is being exploited by the private sector, or to say, the private promoters, to substantially over-state the projects. Also, this has got a tremendous adverse impact on the utility charges that are being levied by the Government. The best example is Enron. So, does the Government have any proposal to review, especially in power projects, the Power Purchase Agreements that have been entered into by them and by the other Governments, and correct such propaganda?

SHRI SATYABRATA MOOKHERJEE: Sir, this particular aspect of the matter really does not concern this question. It relates to the Central sector projects which are under implementation. And, as of 1st April, 2003, there are 540 projects costing over Rs. 20 crores. But the real backlog is in respect of 30 projects which account for about 95 per cent of the cost overrun. I can just read them out; it is a very short table where the details of these projects have been given. So far as Power sector is concerned, there are five projects; Railways, there are 16; Roads and Highways, there is 1; Urban Development, there is 1; Petroleum, there are 2; Coal, there are 2; Health and Family Welfare, there are 2; and, Fertilizers, there is 1. These 30 projects account for 95 per cent of the cost overrun.

MR. CHAIRMAN: Question hour is over.